

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re: Terraform Labs Pte Ltd.

Case No. 24-10070

February 2024 Monthly Operating Report | Global Notes

Important Disclaimers^[1]

In preparing these responses, the Debtor relied on financial data derived from its books and records that was available at the time of such preparation. The information contained in these responses is subject to ongoing revision and discussion. Although the Debtor has made good faith efforts to ensure the accuracy and completeness of such information, subsequent information or discovery may result in material changes to these responses. As a result, inadvertent errors or omissions may exist. For the avoidance of doubt, the Debtor hereby reserves the right to amend and/or supplement these responses, as may be necessary or appropriate.

The Debtor and its agents, attorneys, and financial advisors do not guarantee or warrant the accuracy or completeness of the data that is provided herein and will not be liable for any loss or injury arising out of or caused in whole or in part by the acts, errors, or omissions, whether negligent or otherwise, in procuring, compiling, collecting, interpreting, reporting, communicating, or delivering the information contained herein. Although good faith efforts have been made to provide accurate and complete information herein, inadvertent errors or omissions may exist. The Debtor and its agents, attorneys, and financial advisors expressly do not undertake any obligation to update, modify, revise, or re-categorize the information provided herein or to notify any third party should the information be updated, modified, revised, or re-categorized, except as required by applicable law.

Each signatory to the MOR has necessarily relied upon the efforts, statements, advice, and representations of personnel of the Debtor and the Debtor's advisors and professionals. Each signatory has not (and could not have) personally verified the accuracy of each such statement, representation, and answer contained in the MOR.

- The Debtor has been diligently reviewing its books and records with the assistance of its advisors to trace the ownership of certain of the Debtor's digital assets as between the Debtor and its wholly-owned subsidiary, Terraform Labs Limited ("TLL"), and determine the quantum of intercompany claims that exist between the entities. TLL was an entity registered in the British Virgin Islands, which was struck off the BVI Register of Companies and dissolved as of July 18, 2023. The special committee of the board of the Debtor is currently investigating these issues in connection with reviewing the assets and liabilities of TLL, and the Debtor is considering its options in respect to TLL, including whether to restore TLL in accordance with the laws of the British Virgin Islands. The Debtor believes that TLL has only de minimis liabilities. To the extent the Debtor continues to use digital assets that may ultimately be determined to constitute assets of TLL, consistent with prepetition practice, it will record intercompany transactions and balances between the Debtor and TLL on its books. The assets listed in the "Schedule of Digital Assets" may ultimately be determined to be assets of TLL, but are listed herein as assets of the Debtor for completeness.
- Information contained in the financial statements has been derived from the Debtor's books and records and historical financial statements. The financial statements are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles in the United States ("GAAP"), International Financial Reporting Standards ("IFRS"), or Singapore Financial Reporting Standards ("SFRS") and are not intended to reconcile fully with any financial statements of the Debtor prepared under GAAP, IFRS, or SFRS. Therefore, combining the assets and liabilities set forth in the financial statements would result in amounts that are substantially different from financial information that would be prepared on a consolidated basis under GAAP, IFRS, or SFRS.
- The financial statements and their figures are presented on a preliminary and unaudited basis and may be subject to material changes as a result of varying matters, including, but not limited to, any potential audit adjustments, annual procedures and analysis, changes in estimates, events subsequent to the balance sheet date, further reconciliation of advance payments and accompanying utilizations related to various professionals and multiple litigations, and revisions or reconciliations of invoices received subsequent to the balance sheet date.
- The preparation of the financial statements required the Debtor to make commercially reasonable estimates and assumptions for the reported amounts of certain assets and liabilities, the disclosure of certain contingent assets and liabilities, and the reported amounts of revenues received and expenses incurred during the applicable reporting periods. The Debtor reserves its rights to amend the reported amount of assets, liabilities, revenues, and expenses to reflect changes in those estimates or assumptions.
- The liquidation of certain assets included herein could potentially yield significantly lower value than the book value reflected in this Monthly Operating Report.
- The Debtor created a bridge protocol to allow holders of certain Terra Classic tokens to use wrapped versions of those tokens on the Harmony One network, the BNB Smart Chain Network, and the Ethereum Network instead of on the native Terra blockchain. Users of the bridge protocol could send their Terra Classic tokens to the wallet corresponding to the destination chain they wished to bridge to and could redeem the tokens automatically upon their request at any time. The Debtor has not historically used or included and does not currently use or include any of these tokens in its treasury.
- Before the Petition Date, TFL borrowed approximately 850,000 in FRAX tokens (valued at approximately \$850,000 at the time of the loan), collateralized by approximately 441,000 CVX tokens (valued at approximately \$1.29M at the time of the loan) on a decentralized finance protocol governed by a smart contract. When the Loan to Value (LTV) ratio of the FRAX loan balance outstanding compared to the value of the CVX collateral rises above the maximum LTV threshold, any lender under the decentralized finance protocol can foreclose on the CVX collateral to repay all or a portion of the FRAX loan on TFL's behalf and receive an equal value of the foreclosed collateral plus a liquidation fee of 10%. On January 23 and January 25, 2024, the maximum LTV threshold was reached due to the decline in value of the CVX collateral. Approximately 341,000 CVX tokens (worth approximately \$820,000 at the time) were foreclosed on by lenders under the decentralized finance protocol without the consent of the Debtor, thus reducing the balance of the Debtor's outstanding FRAX loan. As of February 29th, 2024, approximately \$70,000 of the initial FRAX loan is outstanding and collateralized by approximately 99,000 CVX tokens (currently worth approximately \$496,000). The Debtor is evaluating its options and appropriate next steps as a result of these post-petition foreclosures.

Notes to the Balance Sheet

- Cash and cash equivalents includes fiat currencies denominated in USD, SGD, EUR, and CHF. As referenced in the Treasury Management Motion, these accounts were frozen shortly after the SEC Enforcement Action and remain frozen notwithstanding the Debtor's attempts to contact the banks and its requests for the release of funds sitting in the bank accounts. Subsequent to the Debtor's chapter 11 filing, in February 2024, the Debtor opened a bank account that is compliant with section 345 of the Bankruptcy Code at Western Alliance Bank.
- Venture Investments include numerous technology-related ventures in early-stage and growth-stage companies that the Debtor has invested in over the last several years.
- Plant and equipment include assets related to the build out of office space at the current lease location. This amount is under review.
- Non-debtor intercompany receivable includes amounts due from Proximity Panorama, LDA, a wholly-owned subsidiary of the Debtor, for payroll expenses.
- As referenced in the First Day Declaration, the Singapore Deposit is \$57 million of fiat currency paid by the Debtor to the Singapore High Court, which will remain with the Singapore High Court until the Singapore Action is complete or a successful application to release the funds is made by the Debtor, whichever occurs earlier.
- Prepayments includes approximately \$75 million paid to Dentons as an advance payment retainer (the "Advance Payment"), approximately \$22 million paid to other professionals as advance payment retainers, and approximately \$13 million of other prepayments which the Debtor and its advisors are in the process of reconciling. The Debtor and its advisors continue to review professional fee retainer balances and other prepayments; for this reason, these amounts may change materially. Note, Dentons returned \$48 million of the Advance Payment to the Debtor on March 15, 2024 pursuant to the order [Docket No. 179] authorizing the Debtor to retain Dentons as special counsel.
- Other Assets include other ad hoc prepaid assets on the Debtor's Balance Sheet, including the unamortized KERP payments, severance deposit held by Deel, Inc., security deposits for office space, and other miscellaneous deposits.
- Trade and other payables are primarily comprised of intercompany payable balances accrued on the Debtors' books as amounts due to TLL.
- Lease liability includes accounting liabilities related to the Debtor's current office lease. The accounting for the lease liability is under review and may materially change.

Notes to the Monthly Operating Report Form**Part 1**

- Figures include digital asset transfers used to pay certain operating expenses (excluding payroll).
- Total receipts include de minimis unreconciled amounts between the book balance and bank balance.

Part 2

- Total Current Assets includes Trade and other receivables and Cash and cash equivalents.
- The Debtor continues to review prepetition and postpetition expenses and activity. For this reason, the prepetition and postpetition figures included herein are subject to change and future adjustment.
- Postpetition payables (excluding taxes) include postpetition payables, postpetition intercompanies, provision for reinstatement cost and lease liability.

Part 4

- General and administrative expenses include all expenses except for professional fees and expenses and primarily include rent, marketing, IT, and payroll expenses.
- Reorganization items primarily relate to estimated chapter 11 support & litigation professional fees accrued postpetition.

Part 5

- No professional fee expenses were paid during this period.

Part 8

- Not Applicable.

[1] Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Declaration of Chris Amani in Support of the Debtor's Chapter 11 Petition and First Day Relief First Day Declaration [Docket No. 18] (the "First Day Declaration").

UNITED STATES BANKRUPTCY COURT
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In re: Terraform Labs Pte Ltd.
Case No. 24-10070
February 2024 Debtor Cash Flows
(\$ in 000s)

Differences due to rounding may exist; please refer to Global Notes for further information and disclosures

Case Number: 24-10070

Terraform
Labs Pte Ltd.

Beginning Balance ⁽¹⁾	\$ 3,841
Receipts / Transfers ⁽²⁾	3,700
Disbursements	(2,622)
Digital Asset Adjustment ⁽³⁾	174
Ending Cash Balance	\$ 5,093
Reconciling Items	
Other ⁽⁴⁾	(5)
Ending Book Balance	\$ 5,089

Notes:

- (1) Difference between February MOR's beginning balance and January MOR's ending balance is due to FX
- (2) The Debtor received a return of funds from the Dentons Retainer of \$2.2M and \$1.5M on February 20 and February 27, respectively
- (3) Relates to disbursements made using USDC to support the Terra ecosystem
- (4) Relates to de minimis unreconciled amount between the book balance and bank balance

UNITED STATES BANKRUPTCY COURT
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In re: Terraform Labs Pte Ltd.

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February 2024 Debtor Income Statements

(\$ in 000s)

Differences due to rounding may exist; please refer to Global Notes for further information and disclosures

Case Number: 24-10070

Terraform
Labs Pte Ltd.

Revenue

Revenue \$ -

Total Revenue \$ -

Expenses

Operating Expenses

Rental expenses 83

Employee wage and benefits expenses 1,017

Marketing expenses 27

IT expenses 485

Operating / Other expenses 18

Total Operating Expenses 1,631

Non Operating Expenses

Professional expenses 13,683

Total Non-Operating Expenses 13,683

Total Expenses \$ 15,314

Net operating income/(loss) \$ (15,314)

Depreciation of property, plant and equipment 41

Net Income \$ (15,355)

UNITED STATES BANKRUPTCY COURT
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In re: Terraform Labs Pte Ltd.

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February 2024 Debtor Balance Sheets

(\$ in 000s)

Differences due to rounding may exist; please refer to Global Notes for further information and disclosures

Case Number: 24-10070

Terraform
Labs Pte Ltd.

Assets

Cash and cash equivalents	\$ 5,089
Venture Investments	83,217
Plant and equipment	1,760
Trade and other receivables	204
Non-Debtor intercompany receivable	435
Singapore Deposit	56,959
Prepayments	107,169
Other Assets	12,221

Total Assets	\$ 267,053
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Liabilities

Pre-petition payables	1,000
Pre-petition Intercompany	439,869
Post-petition payables	17,208
Post-petition intercompany	174
Provision for reinstatement cost	71
Lease liability	1,288

Total Liabilities	\$ 459,610
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Total Members' Equity	\$ (192,557)
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Total Liabilities and Members' Equity	\$ 267,053
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<i>Memo: Liabilities Subject to Compromise</i>	<i>\$ 440,869</i>
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**UNITED STATES BANKRUPTCY COURT
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February 2024 Schedule of Digital Assets⁽¹⁾

(\$ in USD)

Currency ⁽²⁾	Quantity #	USD \$ ⁽³⁾
LUNA ⁽⁴⁾	164,014,312	\$ 120,468,512
BTC	869	53,360,580
USDC	12,234,056	12,234,056
ETH	3,406	11,580,339
ASTRO	23,095,384	5,766,918
SOL	7,518	935,064
URA	411,910	833,170
CVX	133,545	678,676
BNB	1,577	652,038
ARB	109,255	214,381
DYDX	58,519	204,251
OSMO	91,740	153,573
ANDR	78,490	127,711
USDT	96,201	96,201
WHALE	2,022,175	77,288
TON	29,090	74,089
CAPA	7,119,671	54,825
All Others	53,436	18,105
Subtotal - non-Terra Classic	209,561,155	\$ 207,529,776
UST	n/a	15,191,410
LUNC	n/a	70,746
All Others	n/a	84,009
Subtotal - Terra Classic⁽⁵⁾	-	\$ 15,346,165
Total Digital Assets	209,561,155	\$ 222,875,941

Notes:

(1) The schedule above includes digital assets in the wallets controlled by TFL.

The Debtor continues to review its books and records with the assistance of its advisors to confirm the ownership of certain of the Debtor's digital asset wallets as between the Debtor and Terraform Labs Limited ("TLL") and the intercompany claims between the entities

(2) The figures herein include approximately \$21.6M of restricted assets (ETH, USTC, BTC, and other digital assets) in an account custodied by Hex Trust.

(3) Digital asset pricing sourced from CoinGecko as of February 29, 2024

(4) Includes approximately 125M Luna that will vest over a five year period as a result of the Terra community grant approved in October 2023

(5) Includes legacy wallets that hold Terra Classic-related tokens. The Debtor has not historically used or included and does not currently use or include any of these tokens in its treasury.

UNITED STATES BANKRUPTCY COURT
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February 2024 Prepetition Payments
(\$ in USD)

The Debtor hereby submits this attestation regarding prepetition payments during the period of February 1 through February 29, 2024.

All payments made by the Debtor during the period of February 1 through February 29, 2024 (and included in the disbursements reported herein) were authorized under First Day Orders granted by the Court. Note the Debtor paid a January prepetition invoice related to Amazon Web Services Singapore which is included in total disbursements for the period but is expected to be offset against future post-petition invoices.

/s/ Chris Amani

Signature of Authorized Individual

Chris Amani

Printed Name of Authorized Individual

4/3/2024

Date

Head of Company Operations

Title of Authorized Individual

UNITED STATES BANKRUPTCY COURT
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In re: Terraform Labs Pte Ltd.
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February 2024 Payments to Insiders
(\$ in USD)

The Debtor hereby submits this attestation regarding payments to insiders during the period of February 1 through February 29, 2024.

With respect to insiders, all cash payments made were on account of ordinary course salaries and authorized travel and expense reimbursements.
No non-cash transfers were made during this reporting period.

/s/ Chris Amani

Signature of Authorized Individual

Chris Amani

Printed Name of Authorized Individual

4/3/2024

Date

Head of Company Operations

Title of Authorized Individual